

# **Better Buying Power 3.0 For Summer Acq Update**

***Achieving Dominant Capabilities through  
Technical Excellence and Innovation***

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# Better Buying Power Overview



- USD(AT&L) launched BBP in 2010 to restore affordability and productivity to Defense spending
- BBP 1.0 Directs us to utilize Best Practices
- BBP 2.0 Moves us to Critical Thinking and a culture of cost consciousness
- BBP 3.0 Emphasizes Better Products through innovation and technical superiority



# Better Buying Power 3.0

- Better Buying Power reflects the **Department of Defense's** commitment to continuous improvement – making productivity and cost consciousness part of our culture
- BBP 3.0 expands the focus to technical excellence and innovation. It builds on the previous BBP releases and includes all focus areas from BBP 2.0. The 3.0 release encompasses 34 initiatives organized into eight focus areas
  - Achieve Affordable Programs
  - Achieve Dominant Capabilities While Controlling Lifecycle Costs
  - Incentivize Productivity in Industry and Government
  - Incentivize Innovation in Industry and Government
  - Eliminate Unproductive Processes and Bureaucracy
  - Promote Effective Competition
  - Improve Tradecraft in Acquisition of Services
  - Improve the Professionalism of the Total Acquisition Workforce







# Better Buying Power 3.0 Overview for ACQ Day – 9 SEP

## Achieving Dominant Capabilities through Technical Excellence and Innovation

### Achieve Affordable Programs - **GEORGE**

- Continue to set and enforce affordability caps

### Achieve Dominant Capabilities While Controlling LCC - **GEORGE**

- Strengthen and expand “should cost” based cost management
- Anticipate and plan for responsive and emerging threats by building stronger partnerships of acquisition, requirements, and intelligence communities
- Institutionalize stronger DoD level Long Range R&D Program Plans
- Strengthen cybersecurity throughout the product lifecycle

### Incentivize Productivity in Industry and Government - - **HAL**

- Align profitability more tightly with Department goals
- Employ appropriate contract types, but increase the use of incentive type contracts
- Expand the superior supplier incentive program
- Ensure effective use of Performance-Based Logistics
- Remove barriers to commercial technology utilization
- Improve the return on investment in DoD laboratories
- Increase the productivity of corporate IRAD

### Incentivize Innovation in Industry and Government -- **HAL**

- Increase the use of prototyping and experimentation
- Emphasize technology insertion and refresh in program planning
- Use Modular Open Systems Architecture to stimulate innovation
- Increase the return on and access to small business research and development
- Provide draft technical requirements to industry early and involve industry in funded concept definition
- Provide clear and objective “best value” definitions to industry

### Eliminate Unproductive Processes and Bureaucracy -- - **SAM**

- Emphasize acquisition chain of command responsibility, authority, and accountability
- Reduce cycle times while ensuring sound investments
- Streamline documentation requirements and staff reviews
- Remove unproductive requirements imposed on industry

### Promote Effective Competition -- **SAM**

- Create and maintain competitive environments
- Improve DoD outreach for technology and products from global markets
- Increase small business participation, including through more effective use of market research

### Improve Tradecraft in Acquisition of Services -- **SAM**

- Strengthen contract management outside the normal acquisition chain – installations, etc.
- Improve requirements definition for services
- Improve the effectiveness and productivity of contracted engineering and technical services

### Improve the Professionalism of - - - Workforce -- - **HAL**

- Establish higher standards for key leadership positions
- Establish stronger professional qualification requirements for all acquisition specialties
- Strengthen organic engineering capabilities
- Ensure development program leadership is technically qualified to manage R&D activities
- Improve our leaders’ ability to understand and mitigate technical risk
- Increase DoD support for STEM education

**Continue Strengthening Our Culture of:  
Cost Consciousness, Professionalism, and Technical Excellence**

● Ideas retained from BBP 2.0 and/or BBP 1.0

● New in BBP 3.0



# Better Buying Power 3.0

Achieving Dominant Capabilities through Technical Excellence and Innovation

## 1. Achieve Affordable Programs - **GEORGE**

- Continue to set and enforce affordability caps

## 2. Achieve Dominant Capabilities While Controlling Lifecycle Costs - **GEORGE**

### **2.1 Strengthen and expand** “should cost” based cost management

**2.2 Anticipate and plan for responsive and emerging threats by building stronger partnerships acquisition, requirements, and intelligence communities**  
*(We must be aware and responsive to changes in the threat. The acquisition, intelligence, and requirements communities must work together to ensure threat information is identified and provided throughout the product lifecycle.)*

**2.3 Institutionalize stronger DoD level Long Range R&D Program Plans** *(Study and prioritize various technologies to provide enduring advantage to US forces.)*

**2.4 Strengthen cybersecurity throughout the product lifecycle** *(All our efforts to improve technological superiority will be in vain if we do not provide effective cybersecurity throughout the product lifecycle.)*



# Affordability and Should Cost

<b>A</b>	<b>B</b>	<b>C</b>		
Materiel Solution Analysis	Technology Development	Engineering and Manufacturing Development	Production & Deployment	Operations & Support
Emphasis on Affordability (scope reduction)		Emphasis on Should Cost (efficiencies)		

- **Affordability** consists of setting cost targets consistent with resource constraints – program scope may be altered
- **Should-cost\*** targets are based on efficiencies – not scope changes – and generally refer to the way work is performed (e.g. common parts buys, process changes, accelerated orders)
- **Should Cost Management** involves continuous scrutiny of all cost elements, such as challenging assumptions, dissecting overhead and indirect costs, and appropriate cost incentives

\*BBP Should Cost is not the pre-contract Should Cost described in FAR 15.407-4 & DFARS 215-407-4




# Should-Cost Portal

Browser address bar: <https://apl.dau.mil/sc>

\*\*\*\*UNCLASSIFIED//FOR OFFICIAL USE ONLY\*\*\*\*

Welcome



## Should-Cost Portal

*Should-Cost Proven Practices and Case Studies*

Restricted to Government-only members of Defense Acquisition Workforce. Information under the repository tab ("Should-Cost at Work") shall not be redistributed.

Enter any keyword or #tag

Home USD(AT&L) Insights Should-Cost at Work ▾ Techniques & Tools ▾ Training ▾ Policies & References


### What's New

View All News >> 3 of 15


#### Air Force Saves Money With Should-Cost

2/19/2015 - <http://www.federalnewsradio.com>

According to Dr. William LaPlante, Assistant Secretary of the Air Force for Acquisition, the Air Force has saved over \$2 billion in program costs over the past few years by using "should-cost" management and expects to save even more in the future. The idea of "should-cost" management was described in DoD's Better Buying Power program about five years ago. [Read more>>](#)



#### Featured Video by DAU







# Better Buying Power 3.0

Achieving Dominant Capabilities through Technical Excellence and Innovation

## **3. Incentivize Productivity in Industry and Government - HAL**

**3.1 Align profitability more tightly with Department goals**

**3.2 Employ appropriate contract types, but increase the use of incentive type contracts** (*CPIF and FPIF contracts are highly correlated with better cost and schedule performance.*)

**3.3 Expand the superior supplier incentive program** (*We will not implement a DoD-level SSIP, but rather will implement Service-specific SSIPs.*)

**3.4 Ensure effective use of Performance-Based Logistics**

**3.5 Remove barriers to commercial technology utilization** (*Understand the barriers that exist and find ways to reduce or remove them*)

**3.6 Improve the return on investment in DoD laboratories** (*We must increase the ROI of these facilities*)

**3.7 Increase the productivity of corporate IRAD** (*>\$4B annually; This initiative will improve communication between DoD and industry and restore a higher degree of government oversight of this investment.*)





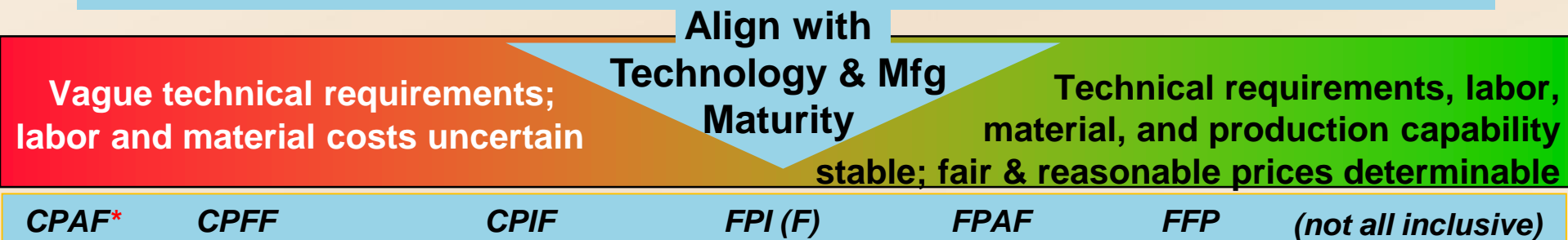
# Employ Appropriate Contract Types

## Risk Considerations



### Factors to Consider in Selecting Contract Type

- Price Competition
- Complexity of the requirement
- Urgency of the requirement
- Period of Performance (e.g. Prod Qty)
- Technology Maturity
- Adequacy of the contractor's accounting system
- Concurrent contracts
- Extent and future of subcontracting opportunities
- Acquisition history



*\* - Use of CPAF requires extreme justification, to include lack of any objective criteria for incentive*



# Ensure Effective use of Performance-Based Logistics (PBL)

## Where Do We Stand?

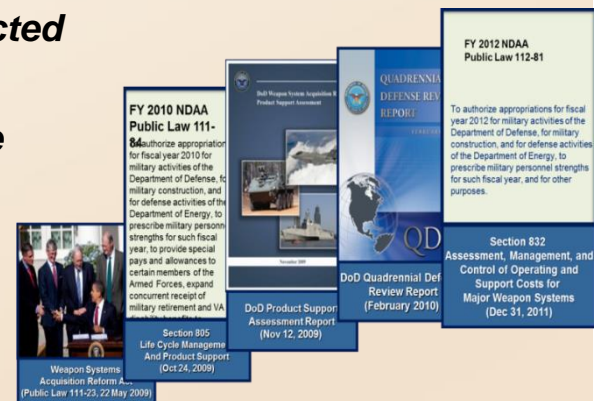
- < 5% of DoD systems, sub-systems and components covered by a PBL
- High Sustainment Costs – Financial incentives not aligned to life cycle affordability
- Dismal Reliability for Transactional Sustainment – *Availability Impacted*

## What's in BBP 3.0?

- PBL Requirement is a continuation of BBP 2.0 to “*Increase Effective use of Performance-Based Logistics (PBL)*”
  - *Why?* PBL delivers readiness at reduced cost by incentivizing productivity in industry and government
  - *How?* PBLs deliver performance versus parts

## DASD(MR) Proof Point Study (Nov 2011)

- Properly *structured* and *executed*, PBLs reduce cost per unit-of-performance while driving up system, sub-system and component readiness
- Average annual savings for programs with generally sound adherence to PBL tenets is 5-20% over the life of the PBL arrangement compared to transactional support
- Annual DoD Logistics Spending is ~ \$157.6B\* *and growing!*
- \$74.8 B in maintenance
- \$73 B in supply
- \$21.7 B in transportation



*These are the primary areas  
PBL can improve*

\* FY13 expenditure



# Better Buying Power 3.0

Achieving Dominant Capabilities through Technical Excellence and Innovation

## **4. Incentivize Innovation in Industry and Government -- HAL**

**4.1 Increase the use of prototyping and experimentation**

**4.2 Emphasize technology insertion and refresh in program planning** *(design our acquisition programs plans to support technology refresh cycles on a more frequent time scale)*

**4.3 Use Modular Open Systems Architecture to stimulate innovation**

**4.4 Increase the return on and access to small business research and development** *(ensure DoD makes it as easy as possible for small businesses to work with DoD)*

**4.5 Provide draft technical requirements to industry early and involve industry in funded concept definition** *(DoD needs to communicate with industry as much as possible up until the final RFP is released.)*

**4.6 Provide clear and objective “best value” definitions to industry** *(provide industry with info on the monetary value of performance that exceeds the minimally acceptable or threshold levels)*





# Use of Best Value Source Selection

## Provide Clear and Objective “Best Value” Definitions to Industry

- In LPTA source selection, no credit for exceeding minimum performance
- In tradeoff source selection, importance of evaluation factors varies but *offerors don't know how much more Gov't will pay for exceeding minimum*
- Value-Based Adjusted Pricing (VAP) Technique addresses this by identifying the “value” Gov't places on above-minimum performance levels
- The Government determines affordability and worthiness of pursuing above-threshold requirements when developing the evaluation factors
- RFP identifies the price increase Government may be willing to pay for levels of performance between minimum and maximum criteria (e.g., probability of hit, specific operational ranges)
  - It's a structured technique for objectivizing how requirements will be treated in tradeoff process and communicating that to offerors
  - No extra credit given for exceeding maximum performance level stated in RFP



# Better Buying Power 3.0

Achieving Dominant Capabilities through Technical Excellence and Innovation

## Eliminate Unproductive Processes and Bureaucracy - - **SAM**

- **Emphasize acquisition chain of command responsibility, authority, and accountability**
- **Reduce cycle times while ensuring sound investments**  
*(New DoDI 5000.02 allows a high degree of tailoring to accept risk and reduce “time to market.” In addition, some of the successful rapid acquisition initiatives used to support ops in Iraq & Afghanistan will be integrated into our standard practices.)*
- **Streamline documentation requirements and staff reviews**  
*(Excessive management time is spent supporting staff reviews instead of focusing on program execution.  
Touchpoints Study....Just Completed)*
- **Remove unproductive requirements imposed on industry**  
*(We will establish a single threshold for both Earned Value Mgt compliance reviews and ongoing system surveillance at \$100M.)*



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# Better Buying Power 3.0

Achieving Dominant Capabilities through Technical Excellence and Innovation

## **6. Promote Effective Competition - - SAM**

**6.1 Create and maintain competitive environments** – Continue emphasis on maintaining a competitive environment and quarterly reporting

**6.2 Improve DoD outreach for technology and products from global markets** - Increased investments in cooperative research, co-development, and co-production with allies and partners may provide better products for our warfighters at reduced cost

**6.3 Increase small business participation, including through more effective use of market research**





# Better Buying Power 3.0

Achieving Dominant Capabilities through Technical Excellence and Innovation

## 6.2: Improve DoD outreach for technology and products from global markets



### Where Do We Stand?

- Great deal of today's technical innovation are not located in the U.S.
- Allies, friends, and trading partners can assist us in pursuing innovation and technological superiority
- Increased investments in cooperative research, co-development, and co-production may provide better products for our warfighters at reduced cost
- DoD is extensively engaged in international cooperative program activities ranging from cooperative science and technology projects to the cooperative development of the F-35 Joint Strike Fighter.
- The current process through which the DoD manages acquisition programs does not draw out the full potential for international solutions



## 6.2 Technology and Products from Global Markets

### Initiative Objectives

- **Establish a centralized process that integrates and provides awareness of global technology for potential application in Acquisition and S&T programs, engagements, and expand opportunities across the Services, Defense Agencies, and OSD for co-development of leading edge technology**
- **Improve the knowledge base of acquisition professionals, enabling greater awareness of foreign solutions and the processes by which the Department can maximize its investments**

### Specific Actions:

- A. DTIC will expand the existing web-based International Agreements Database to make available a catalogue of applicable overseas technologies**
- B. ASD(R&E) and ASD(LM&R) will assess opportunities for a pilot program to identify foreign technologies to solve sustainment/obsolescent needs**
- C. DAU will lead a team to assess the current curriculum to identify opportunities to include international and exportability training**
- D. DAU will suggest modules for inclusion in DISAM course offering for personnel assigned to U.S. Embassy Security Cooperation Organizations**



## **6.2 Technology and Products from Global Markets - Specific Actions**

### **A. International Agreements and Technology Data Base**

- **International Agreements Data Base (IADB) provides basic information about all proposed, existing, and past DoD international armaments cooperation agreements and associated items in a single location**
- **It increases the visibility each MILDEP has on agreements negotiated by the Office of the Secretary of Defense (OSD) and the other MILDEPs, reducing duplication and enhancing the identification of leveraging opportunities**
- **Any U.S. citizen with a CAC may access the IADB**
- **DTM by September 2015**

### **B. Sustainment/Obsolescence Pilot Program**

- **Some of our foreign partner have purchased systems from the US and then later modified them with component improvements. The pilot program will test foreign technology solutions to solve sustainment and obsolescence management needs.**
- **Pilot Program by September 2015**





## 6.2 Technology and Products from Global Markets - Specific Actions

### C. International Acquisition and Exportability (IA&E) Training

- AT&L established International Acquisition Career Path (IACP) in 2007
- Initially attached to PM Career Field; expanded to all career fields in 2014
- Requires DACMs to identify and “code” personnel involved in international programs to require attendance in specific DAU international courses
- International Acquisition Training Standards & Core Plus Development Guide now included in [iCatalog](#)
- BBP 3.0 builds on the IACP by identifying opportunities to include IA&E training for personnel not in IACP coded positions
- DAU will lead an OSD & Service team to review DAU curriculum to identify training opportunities for a target community that includes PMs

### D. Expand Defense Institute of Security Assistance Management (DISAM) Training

- DISAM provides Foreign Military Sales (FMS) and related training to a broad spectrum of international affairs and defense acquisition personnel
- DAU will suggest training modules for inclusion in DISAM courses for personnel assigned to Embassy Security Cooperation Organizations (SCOs)



# Better Buying Power 3.0

Achieving Dominant Capabilities through Technical Excellence and Innovation

## 7. Improve Tradecraft in Acquisition of Services -- **SAM**

**7.1 Strengthen contract management outside the normal acquisition chain – installations, etc.**

**7.2 Improve requirements definition for services**

**7.3 Improve the effectiveness and productivity of contracted engineering and technical services** *(enterprise approaches for acquiring these engineering and technical services should be used to increase effectiveness, improve technical information management, and promote innovation and maintaining technical superiority)*



# Improve Tradecraft in Acquisition of Services

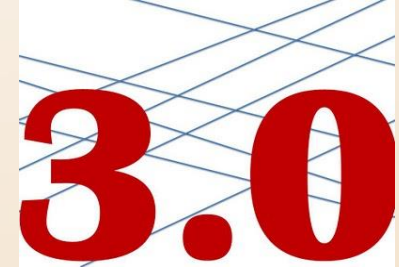
- DoD spent more than \$156 billion in FY14, or said another way...
- More than 55% of DoD's total contract obligations constituted buying contracted services; more than buying major weapons systems
- The problem is buying contract services does not have the structured governance and management oversight of the weapon systems acquisition process.





# BBP 3.0 builds on previous efforts

## Three Focus Areas



- Strengthening contract management outside the normal acquisition chain— e.g. installations
- Improving requirements definition
- Improving the effectiveness and productivity of contracted engineering and technical services

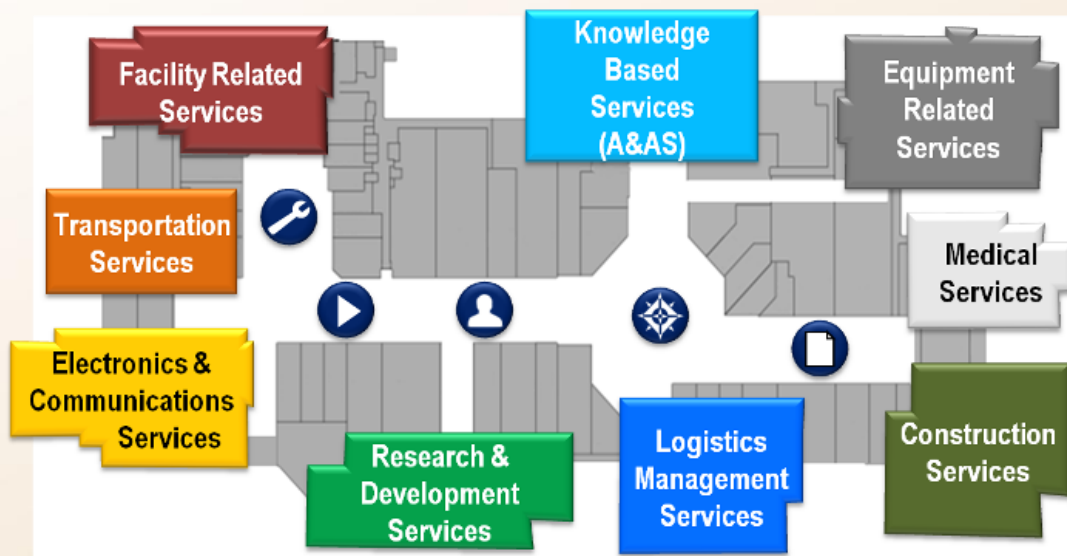


# DAU Training and Tools

- **Service Acquisition Mall (SAM)** is a one-stop-shop to find the necessary elements (tools, examples, and samples) to create performance-based solutions for service acquisition requirements.
- **Acquisition Requirements Roadmap Tool (ARRT) Suite** is a collection of tools that help organizations build strategic elements of their acquisition documents.
  - ARRT walks users through structured processes and prompts that help users to ask and answer the right questions related to their acquisitions.
  - The [ARRT Requirements Definition](#) is a tool used to write performance-based requirements following the Requirements Roadmap process. Using the tool, users create Performance Work Statements (PWS), Quality Assurance Surveillance Plans (QASP), and Performance Requirement Summaries (PRS).



# SAM and ARRT



<http://sam.dau.mil/>

**Service Acquisition Mall**

Acquisition Requirements Roadmap Tool (ARRT) Suite



**ACQUISITION  
REQUIREMENTS  
ROADMAP  
TOOL SUITE**



# Better Buying Power 3.0

Achieving Dominant Capabilities through Technical Excellence and Innovation

## **8. Improve the Professionalism of the Total Acquisition Workforce - - - *HAL***

**8.1 Establish higher standards for key leadership positions (*continuing effort*)**

**8.2 Establish stronger professional qualification requirements for all acquisition specialties**

**8.3 Strengthen organic engineering capabilities** (*Can't make decisions about technology if we don't fully understand what is possible and how to achieve it*)

**8.4 Ensure development program leadership is technically qualified to manage R&D activities** (*The Department must ensure that technically qualified leaders are available and assigned to managing our development programs.*)

**8.5 Improve our leaders' ability to understand and mitigate technical risk**

**8.6 Increase DoD support for STEM education** (*This initiative focuses on developing the next generation of STEM professionals.*)



# Web Resources

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**Defense Acquisition Portal (DAP) – DAU's Online portal to Everything Acquisition, Better Buying Power, and DoD's online collaborative communities**



## BBP 3.0

USD(AT&L) Frank Kendall releases the updated version the [Better Buying Power initiatives](#). This latest iteration focuses on the achievement of dominant capabilities through technical excellence and innovation.

1 2 3 4

**BBP – Resources, Templates, Examples, References**

## What's Hot

[View All](#)



### DLA Harnesses Better Buying Power in Distribution NEW

A joint team across the Defense Logistics Agency Distribution division produced \$33 million in savings through the rigorous application of the principles in the... [\(read more\)](#)



### Life Cycle Sustainment Education Opportunity NEW

Sustaining a weapon system over the course of its life time is often the greatest cost incurred by the U.S. Department of Defense during... [\(read more\)](#)



**DAU Academic Partner Capella University Announces Scholarship Opportunity**  
Defense Acquisition University academic partner, Capella University, announces multiple scholarship opportunities for DAU students, active- Service members,

## Quick Links

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[Life Cycle Chart](#)

## Events

[View All](#)

**Apr 29** Lunch and Learn: Identifying Required Technical Data and Software  
11:30 AM Seminar

**May 6** Lunch and Learn: Are You Prepared for an IBR?  
11:30 AM Seminar

**May 13** Lunch and Learn: An Overview of the Life Cycle Logistics Process  
11:30 AM Seminar

**May 20** Lunch and Learn: 12 Integrated Product Support Elements  
11:30 AM Seminar



# Summary

- **BBP 3.0 – More continuity than change, but there is a new emphasis on our products and their ability to provide military technological superiority**
- **Requires innovative and thoughtful planning and execution**
  - **Encourages the acquirer to creatively adapt to the specific circumstances of their program**
- **The theme that ties the content of BBP 3.0 together is an overriding concern that our technological superiority is at risk**
- **Our ability to utilize sources of innovation and technology effectively rests on the professionalism of our workforce**

Achieving Dominant Capabilities through Technical Excellence and Innovation